

Murphy Administration's Clean Energy Agenda...

Continued from page 1

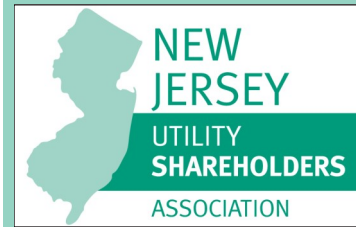
energy reduction target of 2.1% over five years and natural gas utilities are to meet a 1.10% reduction over the same period. While these targets are more aggressive than the minimum 2% and 0.75% targets mandated for electric and gas utilities respectively in the Clean Energy Act of 2018, that the utilities have been granted a five-year period to ramp up their programs before penalties would be imposed is a positive development. BPU has until July of 2021 to review and approve the September filings. Programs in place before the filings will be able to continue.

NJAW Announces...

Continued from page 5

(Customer-owned service lines run from the street to the home and are not the responsibility of the water utility.) New Jersey American Water's goal is to reduce lead in drinking water through the proactive elimination of lead service lines and ongoing optimization of water treatment to reduce corrosion of plumbing materials that may contain lead.

The replacement of lead service lines is important for public health since lead can pose serious health problems, especially for children. Many homeowners do not know of the need and/or might not have the financial resources to replace the service lines themselves. To allow the utility to replace lead service lines in conjunction with water main replacements or relocations can be a cost-effective, efficient, and responsible way to continue infrastructure renewal programs, while at the same time addressing the health and safety concerns associated with lead service lines.



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NJUSA Insight

Murphy Administration's Clean Energy Agenda Advances with Energy Utilities Filing Enhanced Energy Efficiency Programs

Notwithstanding the presence of a global pandemic, the New Jersey Board of Public Utilities (BPU) has moved forward with a number of the initiatives outlined in the Energy Master Plan (EMP) finalized in January of this year. The EMP establishes the goal of 100% clean energy by 2050 and identifies seven implementation strategies for achieving New Jersey's Clean Energy Agenda.

The EMP presents both challenges and opportunities for the State's electric and gas utilities. Among the challenges is the need to transition from depending on revenues from electricity and natural gas sales to

being legally required to help customers use and buy less. For many years, NJUSA sponsors New Jersey Resources (New Jersey Natural Gas) and PSEG (PSE&G) have implemented energy efficiency programs without government-imposed performance mandates. Now, under BPU's new energy efficiency structure finalized in June, the companies are required to implement new programs with phased-in performance metrics, cross-utility coordination and focused efforts for low-income customers, among other requirements.

The good news is, BPU's final energy efficiency program structure

recognizes many of the issues NJUSA and the energy utilities had identified as problematic. The electric and gas utilities' energy efficiency programs under this new structure were filed for BPU review and approval September 25. The new program structure will allow the companies to: recapture revenues lost from customers reduced usage; earn a return on their efficiency program investments; recover the prudently incurred costs of delivering efficiency programs; amortize program expenses over 10 years; and defer until year 5 of the programs, the implementation of an incentive and penalties structure related to achieving specific performance metrics.

Continued on page 6

A MESSAGE FROM THE PRESIDENT

Dear Members,

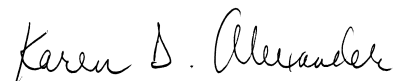
Happy Autumn! I hope this finds you and yours faring as well possible. As Q3/2020 arrived and the leaves began to change color, I thought back on this year's challenges and, like many, looked forward to what hopefully will be a calmer, healthier and more economically strong year-end and 2021.

Like other organizations, NJUSA's planned in-person events for 2020 were disrupted by Covid-19. However, many members have expressed interest in online webinars, the first of which concluded as this newsletter is going to press. On October 29, Mark Kahrer, vice president of regulatory affairs, launched our first Zoom event with a presentation on New Jersey Natural Gas' energy efficiency initiatives. To see the recording of the presentation, contact Caitlin at 856-840-4087.

The New Jersey Board of Public Utilities (BPU) continued to advance numerous clean energy initiatives via remote meetings throughout the year. Clean energy was BPU's primary focus, and NJUSA participated in numerous energy-related virtual stakeholder meetings and public hearings.

Fortunately, Covid-19 has not disrupted New Jersey utilities' service delivery, even with many employees working from home and the need for social distancing for workers who can not work remotely. However, the electric utilities did again face the challenge of service restoration after Tropical Storm Isaias. This last storm prompted BPU to finally consider proposals from the electric utilities to upgrade their distribution networks with "smart meters" which can allow more efficient restoration of service after outages. NJUSA's testimony in support of PSE&G's smart meters proposal starts on page 3.

I hope you find the this newsletter to be informative. Until next time, I wish you safety and good health!



Karen D. Alexander
President

News Briefs

PSE&G received approval of the energy efficiency portion of its Clean Energy Future proposal (submitted in 2018) by the Board of Public Utilities. The decision allows PSE&G to commit \$1 billion toward energy efficiency investments over the next three years, which is expected to provide environmental benefits and reduce customer bills while creating jobs and boosting the state's economy. See *NJUSA's comments in support of PSE&G's Clean Energy Future-Energy Cloud initiative on page 3.*

New Jersey Resources announced the election of Susan Hardwick, executive vice president and chief financial officer (CFO) of American Water, to its board.

American Water announced its Military Services Group has been awarded a contract by the Department of Defense for ownership, operation and maintenance of the water and wastewater utility systems at Joint Base Lewis-McChord (JBLM) in Washington state. The total contract value awarded is approximately \$771 million over a 50-year period and will be subject to an annual economic price adjustment.

For the sixth consecutive year, **New Jersey Natural Gas** delivered the highest customer satisfaction with residential natural gas service in the East among large utilities, according to the J.D. Power 2020 Gas Utility Residential Customer Satisfaction Study.

New Jersey American Water's Delaware River Regional Water Treatment Plant and Raritan-Millstone Treatment Plant have received the Partnership for Safe Water's Phase III Directors Award for 20 years of water quality excellence.

PSEG has filed applications for extension of the Zero Emissions Certificates (ZECs) issued last year for the Salem and Hope Creek nuclear power plants in Salem County. The ZECs enable New Jersey to preserve its largest carbon-free source of electricity and help the State achieve its clean energy goals. On April 18, 2019, the Board of Public Utilities issued the first order determining that PSEG's Hope Creek, Salem 1 and Salem 2 nuclear plants were eligible to receive ZECs from April 18, 2019 through May 31, 2022.

New Jersey American Water Advances Major New Initiatives to Boost Economy and Environmental Quality

On July 23, New Jersey American Water (NJAWC) announced a new comprehensive proposal to accelerate capital investment in water and wastewater infrastructure and create and sustain thousands of New Jersey jobs. The initiative, "Solutions Today and Reinvesting Tomorrow" or "START" consists of multiple elements that will collectively serve the needs of the Company's customers and the wellbeing of the entire State. The START program proposes tools that can aide New Jersey's economic recovery from COVID-19 by infusing \$150 million annually into the economy, create up to 2,000 jobs and provide hundreds of thousands of New Jerseyans with clean, reliable drinking water and environmentally safe wastewater services. START consists of the below summarized proposed elements.

Water and Wastewater Infrastructure Investment Program (WWIIP)

This proposal, if adopted, would allow New Jersey investor-owned water and wastewater utilities to accelerate capital investment in their water and wastewater systems while sustaining and creating jobs. The proposal would require legislative or regulatory approval, but is structured on a regulatory framework similar to the existing Distribution System Improvement Charge (DSIC) infrastructure renewal program already in use by BPU-regulated water utilities.

Projects under WWIIP would be for non-revenue producing assets within certain eligibility categories, such as water main cleaning and lining, distribution, production, and other Infrastructure for the purpose of safety, water quality, resiliency, and environmental compliance. WWIIP could generate between \$100 million to \$150 million in new capital investments and the creation of 1,500 to 2,000 jobs—an important way to contribute to the needed economic recovery.

Distribution System Improvement Charge (DSIC) Expansion

Under the existing program, recovery of DSIC-related costs is limited mostly to underground distribution system assets (pipes, etc.).



NEW JERSEY
AMERICAN WATER

New Jersey American Water proposes to expand the current DSIC program to include the replacement of above ground distribution system assets, such as meters, booster stations, storage tanks, etc. The existing program has a 5% cap on the DSIC-related costs investor-owned water utilities can recover. New Jersey American Water proposes to raise that cap to 10 percent. By raising the cap and allowing DSIC to apply to above-ground assets, an additional \$50 to \$75 million in annual capital investment could be generated. That investment would sustain or create over 500 jobs. (The DSIC expansion would not be needed if a new law is created establishing the WWIIP, which would cover both water and wastewater assets).

Accelerate the Wastewater System Improvement Charge (WSIC)

This mechanism is similar to the DSIC but covers wastewater collection system assets rather than underground water distribution system assets. The proposed WSIC is currently pending before the Board of Public Utilities. If approved, it could create between \$6 million and \$8 million of annual investment along with approximately 150 jobs. This proposal also would not be needed if the Legislature passes the WWIIP proposal.

Lead Service Line Replacement Legislation

A bill has been introduced (A1544) which would allow for water utilities to receive full cost recovery for the replacement of the customer-owned portion of a lead service line in addition to the company-owned side.